U.S. Senate
Republican Policy
Committee

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Conference Report Highlights

May 9, 2000

Highlights of the Conference Report to Accompany H.R. 434, the Africa Growth and Opportunity Act

The Senate passed H.R. 434, the Africa Growth and Opportunity Act, on November 3, 1999, by a vote of 79 to 19. The House passed the conference report to H.R. 434 on May 4, 2000, by a vote of 309 to 110.

Noteworthy

- The Senate may begin consideration of the conference report today. It is expected that objection will be heard to waiving the reading of the report.
- Senate Finance Chairman Roth has strongly endorsed the report despite his disappointment that it drops two Senate-passed provisions (1) closing two corporate tax shelters and (2) addressing the provision of AIDS drugs to countries in sub-Saharan Africa.
- Titles in the Senate-passed bill reauthorizing Trade Adjustment Assistance (TAA) and the Generalized System of Preferences (GSP) were dropped from the conference report but both were extended last year as part of the tax extenders package.
- It is widely seen that passage of this first major piece of trade legislation in several years is a positive indication regarding Congressional action on the upcoming China Permanent Normal Trade Relations (PNTR) vote expected in the House later this month.

Highlights

The conference report to H.R. 434 authorizes new trade and investment policies for sub-Saharan Africa and the Caribbean by unilaterally expanding access to our markets. Specifically, the measure creates a new trade preference program for the countries of sub-Saharan Africa. The legislation also enhances a trade preference program already in place for the countries in the Caribbean Basin Initiative (CBI) region. The following are significant features of the conference report to H.R. 434:

African Growth and Opportunity Act

Extension of Trade Benefits to Sub-Saharan Africa. The conference report amends the Generalized System of Preferences (GSP) program, Title V of the Trade Act of 1974, by inserting a new section 506A.

- This new section authorizes the President to designate certain countries as beneficiary Sub-Saharan Africa (SSA) countries eligible for certain enhanced benefits under the GSP program. In order to be designated as a beneficiary SSA country, and therefore eligible for the benefits set forth in this section, a country must satisfy three criteria:

  — First, the president must find that the SSA country has established or is making continual progress toward establishing a market-based economy, a democratic society, and certain economic policies;

  — Second, the country must meet certain human rights and national security-related standards; and

  — Third, the country must satisfy the eligibility criteria for the GSP program.

- Once a country is deemed an eligible beneficiary under this legislation, it will receive trade benefits in two general areas. The first category covers apparel and a limited number of textile articles. The second category includes other non-apparel items currently deemed "import sensitive" under the GSP program.

- **Treatment of Textile and Apparel Items.** The conference report provides beneficiary SSA countries (as designated under the new section 506A of the Trade Act of 1974) with duty-free and quota-free access to the U.S. market for certain textiles and apparel products, as well as for a limited number of textiles. These benefits are contingent on a country's satisfying the eligibility criteria described above, as well as certain provisions designed to curb the illegal transshipment of textile and apparel products. Once a country satisfies these requirements, duty-free and quota-free benefits will be extended to:

  — Apparel articles assembled in beneficiary SSA countries from U.S. fabric made with U.S. yarn.

  — Apparel made in Africa from regional fabric made with regional yarn, up to a certain cap. This cap on duty-free treatment begins in the first year at 1.5 percent of total apparel imports coming into the United States (currently, the sub-Saharan countries account for less than 1 percent of all such imports) and increases in even increments over the eight-year life of the bill to reach a limit of 3 percent. Included within this cap, duty-free and quota-free benefits for four years to apparel made in Africa from third country fabric by any "least developed" African country (defined as a country with a per capita GNP below $1,500). For trade above the cap amount, normal trade relations (NTR) duty rates would apply, as they do to imports from all other countries, other than our free trade partners (i.e., Mexico, Canada, and Israel).

— Knit-to-shape sweaters made from third-country yarns not available in the United States (including silk and cashmere); provisions also create a process to include additional non-available items. These benefits also extend to knit-to-shape sweaters made from merino wool.

Additionally, the conference report mandates the following:

— Requires the lifting of all existing quotas on textile and apparel products from Africa.

— Establishes a surge mechanism whereby duties may be "snapped back" to non-preferential levels if an apparel article qualifying for benefits is being imported in such increased quantities as to cause serious damage or the threat of such damage to the U.S. industry producing the like or directly competitive article. The legislation directs the President to monitor imports from Africa to detect if such surges are occurring, and to initiate investigations to determine whether such surges are injurious to the domestic industry.

- **Beneficiary country participation requirements.** The legislation establishes stringent provisions intended to curb the risk of illegal transshipment of textile and apparel products through sub-Saharan Africa. Specifically, in order to receive the benefits provided in the bill, a beneficiary SSA country must (1) adopt an effective and efficient visa system to guard against unlawful transshipment of textile and apparel products and the use of counterfeit documents; and (2) enact legislation or regulations that would permit the U.S. Customs Service to investigate thoroughly allegations of transshipment through such country. The conference report authorizes $5.9 million in additional funding for transshipment enforcement to ensure that Customs has the resources necessary to provide technical assistance to beneficiary SSA countries. The legislation also directs the Customs Service to provide technical assistance to the sub-Saharan African countries to assist them with combating illegal transshipment.

- **Products Other than Textiles and Apparel.** The conference report extends duty-free treatment under the GSP program to certain products currently deemed "import sensitive" and therefore not covered by duty-free benefits under the GSP program. These products include certain watches, electronic articles, steel products, footwear, handbags, luggage, and glass products, among others.

- **U.S.-SSA Free Trade Forum.** The conference report directs the president to establish a United States-SSA Trade and Economic Cooperation Forum with interested SSA countries. The purpose of this Forum is to foster close economic ties between the United States and SSA by encouraging meetings between private sector, governmental, and nongovernmental leaders to discuss expanding trade and investment relations between the United States and

SSA. This provision also directs the president to meet with the heads of the governments of interested SSA countries for the purpose of discussing expanding trade and investment relations between the United States and the SSA countries.

- **Negotiations Toward Free-Trade Agreement.** The conference report directs the president to examine the feasibility of negotiating a free-trade agreement with interested SSA countries. If the president finds that such an agreement is feasible, then the president must provide a detailed plan for such negotiations that outlines the objectives, timing, potential benefits to the United States and SSA countries, and likely economic impact of any such agreement.

- **HIV/AIDS.** The conference report expresses the sense of the Congress that U.S. businesses should be encouraged to provide assistance to sub-Saharan Africa to prevent and reduce the incidence of HIV/AIDS, including use of a Response Fund to coordinate the collection and distribution of assistance.

  NOTE: Regarding this provision, Finance Committee Chairman Roth stated on May 3, 2000: "I would also like to note my disappointment that we were unable to agree on a way to address the issue of providing AIDS drugs for Africa. But I would also note that other committees are working to address this issue, allowing Congress the opportunity to take an active role in ensuring that the United States makes a significant contribution to combating the AIDS crisis."

- **Economic Development.** The conference report includes additional sense of Congress provisions expressing support for programs, most of which have already been initiated, designed to spur exports to and investment in sub-Saharan Africa. Specifically, the conference report expresses support to initiatives undertaken by the Overseas Private Investment Corporation, the Export-Import Bank, and the U.S. Department of Commerce's Foreign Commercial Service.

U.S.-Caribbean Basin Trade Enhancement

Enhanced CBI Program. The conference report preserves the United States' commitment to Caribbean Basin beneficiary countries by promoting the growth of free enterprise and economic opportunity in these neighboring countries. Trade benefits established through the Caribbean Basin Economic Recovery Act enacted in 1984 are extended through 2008.

- **Apparel and Textiles.** Duty-free and quota-free treatment are immediately extended to:

  — Apparel articles made in the Caribbean Basin Initiative (CBI) region from U.S. fabric made with U.S. yarn.

- Knit apparel made in the Caribbean Basin from regional knit fabric made with U.S. yarn and knit-to-shape apparel (except socks), up to a cap of 250 million square meter equivalents, with a growth rate of 16 percent per year for the first three years; provisions extend the benefits for outerwear t-shirts knit in the CBI region up to a separate cap of 4.2 million dozen each year, growing 16 percent per year for the first three years.

- Benefits for products other than textiles and apparel. The conference report extends NAFTA tariff rates for imports of certain products currently excluded from the CBI program, including certain footwear, tuna, petroleum, and watches.

- **Extension of Benefits.** The enhanced benefits under the Caribbean Basin Trade Partnership Act are conditioned on countries continuing to meet conditions of the current CBI program, as well on as the additional eligibility criteria set forth in the conference report. These additional criteria include intellectual property protection, investment protection, improved market access for U.S. exports, and whether the country is taking steps to afford internationally recognized workers' rights.

- **Transshipment Protections.** The conference report requires that eligible countries implement strict and effective customs procedures to guard against transshipment. Under a "one strike and you are out" provision, if an exporter is determined to have engaged in the illegal transshipment of textile and apparel products from a CBI country, the president is required to deny all benefits under the bill to that exporter for a period of two years. Those guilty of transshipment violations are subject to treble charges to existing textile and apparel quotas.

- **Other provisions.** The conference report requires countries to implement their commitment to eliminate the worst forms of child labor in order to receive benefits; requires the U.S. Trade Representative (USTR) to periodically change products on any Section 301 retaliation list, in whole or in part, unless a settlement is imminent or petitioners agree not to change the list; extends permanent normal trade relations status to Kyrgyzstan and Albania; clarifies that Section 307 of the Tariff Act of 1930 bans imports of products made with forced or indentured child labor; establishes provisions to rectify tariff inversion on imports of fine wool fabric; and establishes a permanent agricultural ambassador within the USTR.

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